



Shaping the "Open" World by Leveraging Partners

An Internet Strategy

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DRAFT presentation

Internet Opportunity

- ◇ We have a business model and they don't
- ◇ We can define a business model for the emerging Internet
- ◇ If we don't participate, Microsoft or Kleiner Perkins might dictate
- ◇ The opportunity exists now, but not forever

Current Online Services

IPs

IPs

IPs



Prodigy



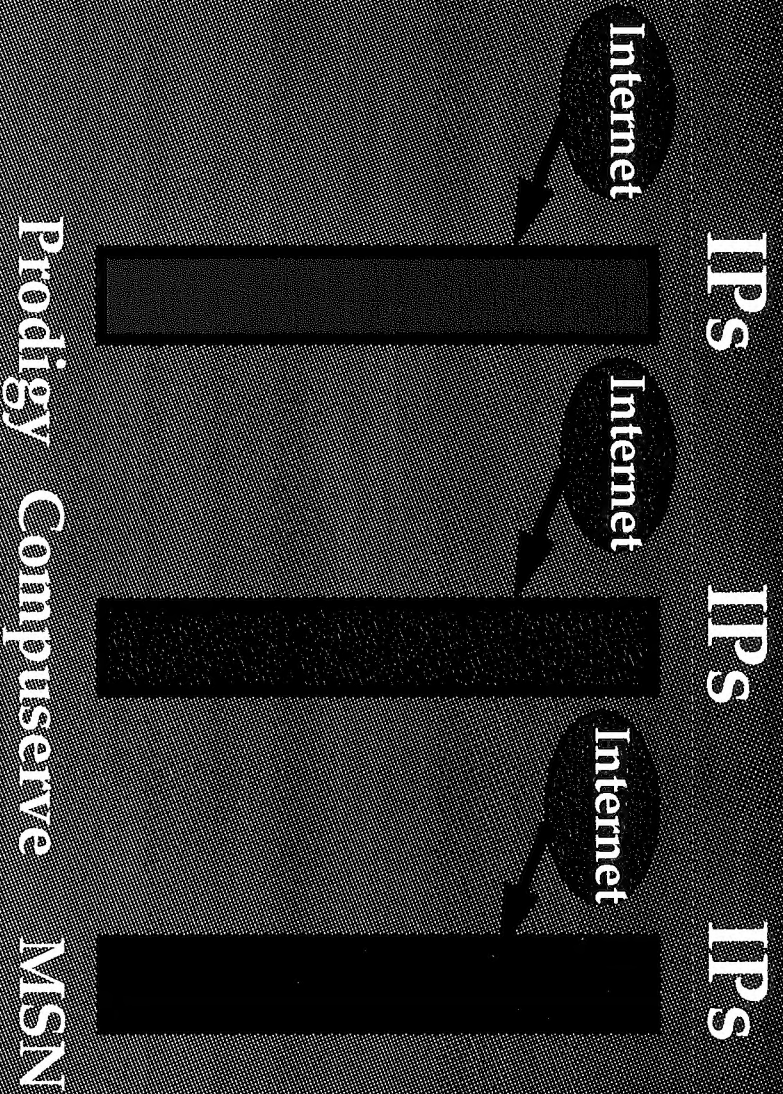
CompuServe



MSN

◇ Proprietary and Exclusive

Old Strategy: Window on the Net



AOL Integrates with the Net

IPs



IPs

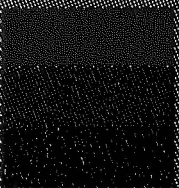


IPs



Internet

Web, Email, Netnews, Gopher, WAIS



AOL users

◇ Leverages other's work for our purpose 5

AOL as Driver of the Net

IPs

IPs

IPs



Strategic

Acquisitions:

Navisoft

WAIS Inc

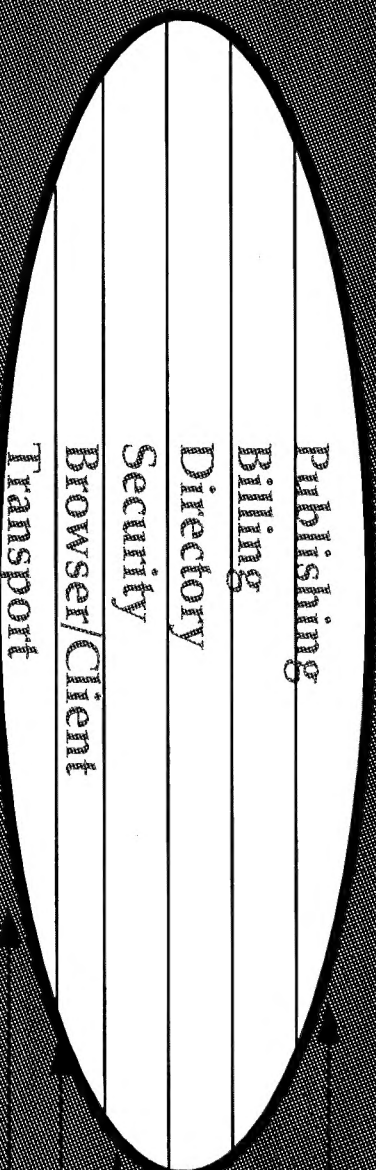
WebCrawler

GNN

Terisa

Booklink/Ubique

ANS



AOL users

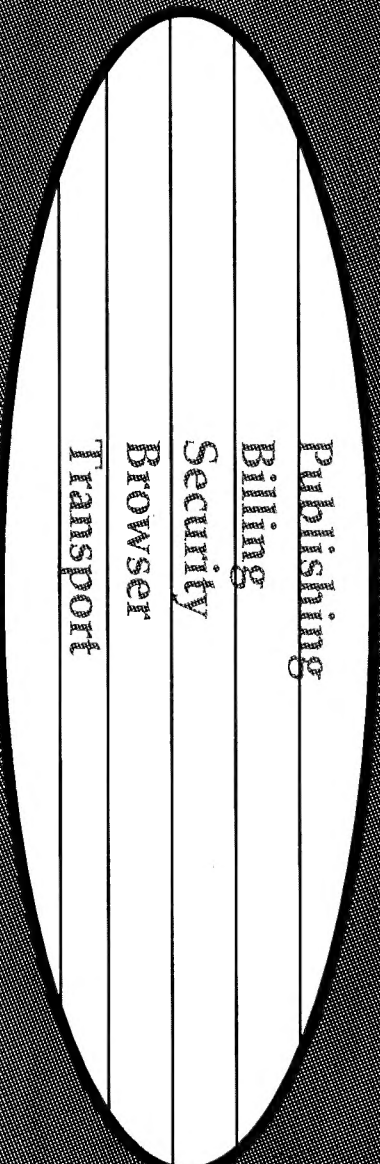
- ◇ Open Systems can be Shaped
- ◇ Open = Horizontal ; Proprietary = Vertical

Forces Others to the Open Platform

IPs

IPs

IPs



AOL users

MSN users

??? users

◇ AOL Programming Adds Value

◇ IPs get maximum distribution

When will Open (horizontal) win over Proprietary (vertical)? Milestones to watch for:

- ◇ Microsoft announcing it will unbundle MSN modules
- ◇ Microsoft actually opens MSN modules
- ◇ Open systems companies get funded
- ◇ Open systems companies band together
- ◇ Analysts/Wall Street focus on these Open Systems companies

Players in the Open World

Content Creators

Server Tech +
Server Farm

Raw Networks

Customer Service
Community
Billing
Programming

Client Software

AOL Horizontal Strategy

- ◇ Pick our turf, defend it by being best
- ◇ Enable our friends with a sustainable business model
- ◇ Question: What is our sustainable turf?

Our Turf in the Horizontal World

◇ Strategic

◇ Consumer Subscription Service

◇ Technical tools and services

◇ Content packaging

◇ Billing and accounting

◇ Community building

◇ Organizational

◇ Customer Service

◇ Community Stewardship

◇ Content packaging and deals

Where the Money Might Go...

- ◇ Subscription revenue goes through us, so ...
 - ◇ 40% Content (incl chat)
 - ◇ 30% Marketing/billing/cust
 - ◇ 20% Server tech + farm
 - ◇ 10% Client software
- ◇ Right categories? Right %'s?

Industry Breakdown

- ◇ Assume \$10B Subscription Interactive Media Industry. (w/o Comm costs)
 - ◇ \$4B Content/Community royalty
 - ◇ \$3B Mktg/Billing/Cust Svc
 - ◇ \$2B Server tech + farms
 - ◇ \$1B Client technology
- ◇ Premium pricing and Ad revenue not split

Our New Partners

- ◇ Netscape/Sun for Client Software
- ◇ AT&T, MCI, BellAtlantic for Connectivity
- ◇ News, Print, Video for content
- ◇ EDS, Donnelley, Netscape, Oracle for server software and services

Our Horizontal Competitors: None Yet

- ◇ MSN
- ◇ CompuServe, Prodigy
- ◇ Others if we let them

Next Steps

- ◇ Define our turf precisely (business and technical)
- ◇ Talk about business model with potential partners
- ◇ Create system to test the model
- ◇ Build and deploy quickly

GNN 3.0 with Partners

Assumptions: # Subscribers: 1M; Rev/sub \$17; hrs/sub 8;
Comm cost \$1/hr.

$\$17/\text{user}/\text{mo} \times 12 \text{ mo}/\text{yr} \times 1\text{M users} = \$200\text{M gross}/\text{yr}$
 $\$1/\text{hr} \times 8\text{hrs}/\text{user}/\text{mo} \times 12\text{mo}/\text{yr} \times 1\text{M} = \100M comm
 Therefore \$100M Gross rev w/o comm

	GNN\$	Others\$
Content	20M	20M
Mktg/custsvc	30M	
Servtech/hosts	10M	10M
Client	5M	5M
<hr/>		
Revenue	65M	35M (15% gross)
Add Ad Rev	10M	
<hr/>		
GNN Net Rev	75M	35M

Mr Netscape Situation

- ◇ **Has a technology stream, no revenue stream**
- ◇ **Has high investor expectations**
- ◇ **Has a long term view**

Pitch to Mr Netscape

- ◇ We have rev stream, no tech stream
- ◇ You have tech stream, no rev stream
- ◇ Lets Partner... Our dream is that you are driven to make us successful. And vice versa
<<<<Show 40-30-20-10 plan here >>>>
- ◇ Client pool of 10% of total rev (w/o comm)
- ◇ Netscape gets porportion of that
- ◇ You can get \$1-3B/yr for client and server software just from the consumer market
- ◇ You put us as your startup screen and dial host

Mr Greenhouse situation

- ◇ AOL turned you down, so you did it yourself on the Web
- ◇ You have a popular website (50k hits/day), growing user base, and no revenue stream
- ◇ Selling ads is hard and slow
- ◇ If we can just turn this franchise into a business . . .

Pitch to Mr Greenhouse

- ◇ We want you to be successful in attracting users, particularly our users
- ◇ We offer you:
 - ◇ revenue split,
 - ◇ tools,
 - ◇ eyeballs: directory entries, etc
- ◇ You give us:
 - ◇ 1" Banner for GNN and advert
 - ◇ No surcharge for our members

Greenhouse pitch cont

- ◇ We have \$40M pool/year for content (GNN only, not brand). 1/2 will probably go to chat etc.
- ◇ Say there are 200 sites and you are in the top 50 most popular. You get \$200k/year
- ◇ We sell ads for your site:
 - ◇ 50k hits/day = 10M hits/year
 - ◇ Ad rate: \$10/k impressions = \$100k ad rev